

State Employee Benefits Committee
September 27, 2010, 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on September 27, 2010 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, OMB, Director,
Statewide Benefits
Faith Rentz, OMB, Statewide Benefits
Ann Skeans, OMB, Statewide Benefits
Mary Thuresson, OMB, Statewide Benefits
Casey Oravez, OMB, Financial Operations
Tina Hession, OMB, PHRST
Yvonne Marshall, OMB, PHRST
Rebecca Steele, OMB, BDPA
Eric Insler, OMB
Mike Morfe, Aon Consulting
Joe Reilly, Aon Consulting
Carolyn Berger, Justice, Supreme Court
Russ Larson, Controller General
Tom Cook, Department of Finance
Karen Weldin-Stewart, Department of Insurance
Barbara Bennett, Office of the State Treasurer
Henry Smith, DHSS
David Craik, Office of Pensions
Kim Vincent, Office of Pensions
Mary Cooke, Department of Education
Margaret Teal, City of Dover
Lisa R. Carmean, City of Milford
Tim Barchek, DSEA
Andrew Brancati, Blue Cross Blue Shield DE
Faith Joslyn, Blue Cross Blue Shield DE
Greg Sisofo, Delta Dental

Joe Morocco, HMS
Mike North, Aetna
Anna C. Kuhar, Retiree
Carol Pullen, Retiree
Karol Powers-Case, DRSPA
Jack Cairns, DRSPA
Sandy Richards, AFSCME
Vincent McCann, AFSCME
Dorothy Andras
Jim Testerman, DSEA, Retired
Pat Krause, AFSCME
William Wells, ME
Richard Phillips, DSEA, Retired
James Harrison, Retiree
Arlene Koefal, Retiree
D. Brady, Retiree
Richard E. Morris, Retiree
Joe Reilly
Carol McFaon, Retiree
Barbara Jacobs, DSEA, Retired
Mary L. Calagioia Perrone, DSEA
Michael W. Whaleon
Roxie Smiley-Carter
Mary Wallace, DSEA, Retired
Wayne Emsley, DRSPA
Carol Pollen
Hugh Ferguson
J. L. Miller, News Journal

Agenda Items Discussed:

Introductions/Sign In

Ms. Visalli called the meeting to order at 2:03 p.m. All were asked to sign the attendance sheet and/or comment sheet if they wished to make public comment. A reminder was given that call centers are open at Aon, the Pension Office and the Statewide Benefits Office. Introductions around the room followed.

Approval of Minutes

Ms. Lakeman made a clarifying comment on the Wellness Initiative payout via the health reimbursement account discussed at the last meeting. It is still being explored as administrative costs may make this option cost prohibitive. Health care premium reductions and a cash payout are also being considered. They are determining the best option to increase participation and minimize administrative work and costs. The amount participants can earn remains unchanged at \$100 or \$200.

Ms. Visalli asked members for a motion to approve the August 16th SEBC minutes. Controller General Larson made the motion. Mr. Smith seconded the motion. Upon unanimous voice approval the motion carried.

Directors Report

Ms. Lakeman gave an update on the data security incident. On August 15th, a Request for Proposal (RFP) for Vision Services was posted to the Government Support Services website. As a part of that RFP there was a file that included retiree's social security numbers (SSN), dates of birth, and gender. No names were included. On August 20th, it was discovered by our Office and removed immediately. They began to work with Aon, Department of Technology and Information, Department of Justice, the Pension Office and the OMB Director's office toward a resolution. Subsequently, Aon assumed responsibility for the incident. A call center was established, as well as a year's worth of free credit monitoring. A letter was sent August 27th to the impacted retirees advising them of the incident, call center information and instructions and an activation code to enroll in the year's worth of free credit monitoring. As a follow-up, the state requested additional services to be provided by Aon and the services of Stroz Freidberg, LLC, who is a nationally recognized firm in the area of identity theft, cyber security and data breaches. Extra measures were taken to protect State retirees. A second letter was sent September 10th notifying them of an additional two years of free credit monitoring as well as an extension of the toll-free call center. Since August 30th, the Aon call center has fielded 5,396 calls and the Pension Office has taken 1,574 calls and handled 69 walk-ins. Over 11,819 pensioners have taken advantage of the free credit monitoring. Anyone who signed up before the extension will automatically be extended two years.

An update on the Early Retiree Reinsurance Program was given. At the last meeting it was reported the state had applied for the program on July 2nd. In late August they received notice that our application was one of 2,000 approved. Twenty-six percent of those 2,000 were state and local governments. There were six employers in the state of Delaware. Mr. Morfe will explain more on the program reimbursement during health care updates.

Insurance Commissioner Weldin-Stewart explained when they had an insurance company report a laptop containing personal information stolen, their recommendation was similar to what Aon has done with regards to the data security incident. The protocol followed is similar to what would be expected of insurance companies. One year of credit monitoring is common and acceptable for this type of breach.

Ms. Visalli reminded attendees that Public Comment is included on today's agenda. Individuals with specific questions can call the appropriate office following today's meeting.

Health Fund Financials – (handout)

Ms. Oravez stated the ending balance in August was negative \$5.1M. The primary reason for the change for this month was due to an increase in claims as a result of an additional week of payments. There were five weeks in the month.

There were no questions concerning the financial report.

Fourth Quarter Report – Mike Morfe, Aon (handout)

For the fiscal year ending June 30, 2010, the fourth quarter performance was improved over the prior fourth quarter from FY2009. An overview was given of the handout. The third and fourth quarters of last fiscal year were significantly greater than the first two quarters. FY2010 ended with a small loss. There was a premium moratorium of about \$22M. The fund experienced about a \$5M loss for FY2010 which is approximately one percent and acceptable for a group this size. The summary and detail pages were explained. The plan emerged as expected with the active group seeing a small loss and the non-Medicare participants experiencing a larger loss. Gains and losses for each plan were depicted. Ms. Visalli noted that the fund is on track for the current year, but they are only one quarter into it. Monitoring will be ongoing.

Health Care Reform Updates – Mike Morfe, Aon

Concerning the Early Retiree Reinsurance Program, the state's application was accepted. Ms. Lakeman previously provided details. Ms. Lakeman applied and was approved as account manager. Department of Health and Human Services (HHS) is running a program to issue guidance. They have completed the first of a series of workshops that will provide guidance about how to claim money for this program. Cost reporting information is likely to be available near the end of October. At the next SEBC, hopefully guidance will have been issued and they will be in the process of applying for payment. The Group Health Plan's first cost report will be for fiscal year ending June 30, 2010 and will include reimbursements for June 2010.

Controller General Larson asked for clarification on how the reimbursement of claims between \$15,000 to \$90,000 works. Mr. Morfe explained that our plan pays the claims as normal and the program is an after the fact intervention. Once claims make their way into the data warehouse reporting, potential claimants can be identified. That information will be extracted and eventually submitted to the program for reimbursement. The money comes back into the plan to be used as the SEBC agrees and according to federal law. Controller General Larson asked about the federal regulations and how long the monies will last, also if it can be used to offset costs or for OPEB. Mr. Morfe stated the regulations state the money can be used by the plan to pay for its expenses. The money lasts until the \$5 billion dollars, which was allocated for this program, is gone. Most likely it can be used for costs, but he was uncertain about using it for OPEB. It cannot be used for general assets of the enterprise. It was noted that the money will be segregated on the Fund & Equity Report and that they will need to explicitly document use of those funds. Insurance Commissioner Weldin-Stewart asked if the reimbursement was on a per claimant basis. Mr. Morfe stated it was per claimant per person in aggregate for the year and explained the procedure. Ms. Visalli stated there was more to come, choices to be evaluated and decisions to make.

Mr. Morfe expressed that September 23rd got significant recognition. It was the six month date after passage of Health Care Reform. Many individual market changes needed to be implemented. For employer plans, changes must be implemented upon renewal of the first plan year after September 23rd. For the Group Health Plan, this is July 1, 2011. Since the last SEBC meeting, more technical guidance has been given, mostly around grandfathered plans, what they mean and what action they must take to be compliant.

SEBAC Comment

None.

Public Comments

Karol Powers-Case, DRSPA, asked about the Health Care Reform Initiative and the plan that has to be presented by December. Ms. Visalli stated their capacity in SEBC is as an employer in this case. The initiatives going on are being led by Insurance Commissioner Weldin-Stewart and DHSS. There are people from both the Insurance Office and DHSS writing the plan for Delaware.

Ms. Case also stated they are not completely aware of all things available through Aon related to the incident. They have heard a lot of people are being charged \$19.95 for their credit report. If that is the case they want to know why because that is not what they were told it would be. Supposedly, they could have credit reports whenever they wanted.

Sandy Richards, AFSCME, stated that retirees needed lifetime monitoring. He stated no one accepted responsibility and Aon should not be given a contract with the state. When you make a mistake like this any contract should be voided. Why was the retiree's information put out there? Why do you use SSNs? The state could have given the exact information needed without providing the SSNs. Who is going to be held responsible? Most people would lose their job if they did this. Why are we putting 20,000 plus people's livelihoods at risk? He believes this company is based in Australia.

Richard Phillips, President of DSEA Retired Group, expressed that he was one of the retirees whose SSN was published. He and other retirees work hard to make sure their personal information is secure. Through no fault of their own these numbers were published. Someone could now use their numbers. There was fear in the voices of many elderly members who called in for help. He feels violated. He thanked those who made it possible to extend credit monitoring for three years, but that is not enough. They want additional credit monitoring to be provided by Aon since they are jeopardizing them, even until death and beyond. Theft of a deceased person's identity is not unheard of. It can happen to them. Experian told those who signed up if they wanted to extend it beyond that time they will have to pay \$49.95 per year or \$4.95 a month. We would have to pay for the mistake Aon made. Retirees are on fixed incomes. There has been no pension increase in over five years. Older retirees live on pensions from the 1970's which are close to poverty level or below. DSEA Retirees are asking OMB, SEBC, Governor Markell and/or Legislators to please work with Aon to extend our credit monitoring for the lifetime of these retirees. They also ask OMB to find a safer way to provide information to vendors than through their SSNs. He explained years ago the state changed their identification system so SSNs were not used for identification purposes. An employee ID (EID) number was assigned. If you look at your social security card it states it is not to be used for identification purposes, even though we know it is. Representative Bill Carson from Smyrna and other legislators he contacted indicated they are going to get legislation passed for lifetime monitoring.

Wayne Emsley, DRSPA, whose name was published on the website, thanked personnel from both the Pension and Benefits Offices for speaking to their group. When he first took a state job he was required to allow the state agency to make a copy of his SSN for his personnel file. Later, all state employees were given ID numbers. The main concern is once a state agency has the state employee's SSN's, who do they give it to during the normal process of business? Once this happens their SSNs can go to even more locations. He asked what efforts are being made to not use SSNs in the future so this type of thing won't happen. Ms. Visalli stated their primary agenda now is to work through this issue both on the investigative side and on internal practices. In working with outside security experts they want to assess the situation. They will address both questions. The answer is looking at personal data, how we're handling it and are we taking every precaution we can to prevent something like this from happening in the future.

Mr. Emsley expressed he felt like he was getting no answers. Ms. Visalli explained that it is an on-going process. She encouraged him to stay in touch as they work through getting the answers.

Controller General Larson explained that many state agencies use SSNs, but he did not know where they go from there. Ms. Visalli agreed it was an important question. Mr. Emsley asked if the Benefits Office could provide him a list of the health related business partners/vendors that receive SSN information. Ms. Lakeman stated she could do this.

Mary Wallace expressed that release of SSNs is a common practice. She gave an example of having called her insurance carrier and they had her SSN on file. Employee IDs have been assigned and they don't need to list other personal information or SSN. She feels Delaware and Aon are both responsible. Aon should have scrubbed what they got, but how did they get it? How do others get it and perpetrate fraud? Both the State of Delaware and Aon are responsible. You have a responsibility to the citizens. This practice needs to be ordered to be stopped, if necessary by the Governor himself, to cease and desist immediately. It is unacceptable because the state of Delaware had prior knowledge through the internet, radio, television and newspaper that identities were being stolen. She is grateful to those elected officials and state employees who have the fortitude, integrity and self respect to stand up for citizens and constituents to get this practice stopped.

Carol Pullen asked how they got the SSNs. She worked in fraud and was instructed to not give out any information of any of their clients. The state employees just put our SSNs out without somebody checking this. How many people did this go through before this information was sent to Aon? How many people in Aon did it go through before it was put out on the internet? The state has as much responsibility as Aon. They were the first ones to give the information out. She gave a prior example of how the state published all employee names and pay for public knowledge. She felt violated. Even though they are retired, they are still citizens and should receive the same amount of confidentiality.

An AFSCME retiree asked since they all have the same benefits, why did they just get their numbers? Ms. Visalli explained pensioner's records are separate, not in the same file as the active employees.

Hugh Ferguson, VP, DRSPA, stressed they need to find a way for the retirees to get lifetime credit monitoring.

Other Business

None.

State Employee Benefits Committee Minutes
September 27, 2010
Page 6

Ms. Visalli stated the next SEBC meeting is scheduled for Monday, October 25, at 2:00 p.m. in the same room. All were thanked for their comments and encouraged to spread the word to other retirees to get signed up for credit monitoring protection. Ms. Visalli asked for a motion to adjourn the meeting. Controller General Larson made the motion and Mr. Smith seconded the motion. The motion carried upon unanimous voice approval and the meeting ended at 2:58 p.m.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB